

HOUSE BILL NO. 63

INTRODUCED BY J. MUSGROVE

BY REQUEST OF THE TEACHERS' RETIREMENT BOARD

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5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE ACTUARIAL FUNDING OF THE TEACHERS'
6 RETIREMENT SYSTEM; PROVIDING A SUPPLEMENTAL CONTRIBUTION, PAYABLE BY THE STATE, TO
7 THE TEACHERS' RETIREMENT SYSTEM FOR EMPLOYEES OF SCHOOL DISTRICTS AND COMMUNITY
8 COLLEGES; PROVIDING FOR A STATUTORY APPROPRIATION; REVISING DEFINITIONS; ESTABLISHING
9 STATE POLICY REGARDING TEACHERS' RETIREMENT; REVISING THE REQUIREMENTS FOR THE
10 TEACHERS' RETIREMENT BOARD TO SET THE TEACHERS' RETIREMENT SYSTEM'S REGULAR
11 INTEREST RATE; INCREASING THE EMPLOYER CONTRIBUTION RATE FOR TEACHERS' RETIREMENT;
12 INCREASING THE SUPPLEMENTAL CONTRIBUTION TO THE OPTIONAL RETIREMENT PROGRAM;
13 ELIMINATING THE AUTHORITY OF THE TEACHERS' RETIREMENT BOARD TO INCREASE THE
14 GUARANTEED ANNUAL BENEFIT ADJUSTMENT; ~~CLARIFYING THE MAXIMUM AMOUNT OF~~
15 ~~COMPENSATION A RETIRED MEMBER OF THE TEACHERS' RETIREMENT SYSTEM MAY EARN UNDER~~
16 ~~CERTAIN CIRCUMSTANCES; REVISING AND CLARIFYING THE MAXIMUM AMOUNT OF COMPENSATION~~
17 A RETIRED MEMBER OF THE TEACHERS' RETIREMENT SYSTEM MAY EARN UNDER CERTAIN
18 CIRCUMSTANCES; PROVIDING APPROPRIATIONS; AMENDING SECTIONS 17-7-502, 19-20-101, 19-20-102,
19 19-20-501, 19-20-605, 19-20-621, 19-20-716, ~~AND~~ 19-20-719, ~~AND 19-20-731~~, AND 19-20-731, MCA; AND
20 PROVIDING EFFECTIVE DATES."

21
22 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

23
24 NEW SECTION. **Section 1. Supplemental state contribution.** (1) Each month, the state shall
25 contribute, as a supplemental contribution to the teachers' retirement system, from the general fund to the
26 pension trust fund an amount equal to:

- 27 (a) beginning July 1, 2007, through June 30, 2009, 2% of the total earned compensation of school district
28 and community college active members participating in the system; and
29 (b) beginning July 1, 2009, 2.38% of the total earned compensation of school district and community
30 college active members participating in the system.

1 (2) The contributions are statutorily appropriated, as provided in 17-7-502, to the pension trust fund. The
 2 board shall determine and shall certify to the state treasurer amounts due under this section on a monthly basis.
 3 The state treasurer shall transfer the certified amounts to the pension trust fund within 1 week following receipt
 4 of the certification from the board.

5

6 **Section 2.** Section 17-7-502, MCA, is amended to read:

7 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
 8 appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the
 9 need for a biennial legislative appropriation or budget amendment.

10 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both
 11 of the following provisions:

12 (a) The law containing the statutory authority must be listed in subsection (3).

13 (b) The law or portion of the law making a statutory appropriation must specifically state that a statutory
 14 appropriation is made as provided in this section.

15 (3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-407;
 16 5-13-403; 10-2-603; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-1-113; 15-1-121;
 17 15-23-706; 15-31-906; 15-35-108; 15-36-332; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 15-70-369;
 18 15-70-601; 16-11-509; 17-3-106; 17-3-212; 17-3-222; 17-3-241; 17-6-101; 17-7-304; 18-11-112; 19-3-319;
 19 19-6-404; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; [section 1];
 20 20-8-107; 20-9-534; 20-9-622; 20-26-1503; 22-3-1004; 23-4-105; 23-4-202; 23-4-204; 23-4-302; 23-4-304;
 21 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402; 37-43-204; 37-51-501; 39-71-503; 41-5-2011; 42-2-105;
 22 44-1-504; 44-12-206; 44-13-102; 50-4-623; 53-1-109; 53-6-703; 53-24-108; 53-24-206; 60-11-115; 61-3-415;
 23 69-3-870; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 77-2-362; 80-2-222; 80-4-416; 80-5-510; 80-11-518;
 24 82-11-161; 87-1-513; 90-1-115; 90-1-205; 90-3-1003; and 90-9-306.

25 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
 26 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
 27 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana
 28 to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state
 29 treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory
 30 appropriation authority for the payments. (In subsection (3): pursuant to Ch. 422, L. 1997, the inclusion of

1 15-1-111 terminates on July 1, 2008, which is the date that section is repealed; pursuant to sec. 10, Ch. 360, L.
2 1999, the inclusion of 19-20-604 terminates when the amortization period for the teachers' retirement system's
3 unfunded liability is 10 years or less; pursuant to sec. 4, Ch. 497, L. 1999, the inclusion of 15-38-202 terminates
4 July 1, 2014; pursuant to sec. 10(2), Ch. 10, Sp. L. May 2000, and secs. 3 and 6, Ch. 481, L. 2003, the inclusion
5 of 15-35-108 terminates June 30, 2010; pursuant to sec. 7, Ch. 314, L. 2005, the inclusion of 23-4-105, 23-4-202,
6 23-4-204, 23-4-302, and 23-4-304 becomes effective July 1, 2007; and pursuant to sec. 17, Ch. 593, L. 2005,
7 the inclusion of 15-31-906 terminates January 1, 2010.)"

8

9 **Section 3.** Section 19-20-101, MCA, is amended to read:

10 **"19-20-101. Definitions.** As used in this chapter, unless the context clearly indicates otherwise, the
11 following definitions apply:

12 (1) "Accumulated contributions" means the sum of all the amounts deducted from the compensation of
13 a member or paid by a member and credited to the member's individual account in the annuity savings fund,
14 together with interest. Regular interest must be computed and allowed to provide a benefit at the time of
15 retirement.

16 (2) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the mortality
17 table and interest rate assumption set by the retirement board.

18 (3) "Average final compensation" means the average of a member's earned compensation during the
19 3 consecutive years of full-time service or as provided under 19-20-805 that yield the highest average and on
20 which contributions have been made as required by 19-20-602. If amounts defined in subsection (6)(b) have been
21 converted by an employer to earned compensation for all members and have been continuously reported as
22 earned compensation in a like amount for at least the 5 fiscal years preceding the member's retirement, the
23 amounts may be included in the calculation of average final compensation. If amounts defined in subsection (6)(b)
24 have been reported as earned compensation for less than 5 fiscal years or if the member has been given the
25 option to have amounts reported as earned compensation, any amounts reported in the 3-year period that
26 constitute average final compensation must be included in average final compensation as provided under
27 19-20-716(1)(b).

28 (4) "Beneficiary" means one or more persons formally designated by a member, retiree, or benefit
29 recipient to receive a retirement allowance or payment upon the death of the member, retiree, or benefit recipient.

30 (5) "Creditable service" is that service defined by 19-20-401.

1 (6) (a) "Earned compensation" means, except as limited by 19-20-715, remuneration, exclusive of
2 maintenance, allowance, and expenses, paid for services by a member out of funds controlled by an employer
3 before any pretax deductions allowed under the Internal Revenue Code are deducted from the member's
4 compensation.

5 (b) Earned compensation does not mean:

6 (i) direct employer premium payments on behalf of members for health or dependent care expense
7 accounts or any employer contribution for health, medical, pharmaceutical, disability, life, vision, dental, or any
8 other insurance;

9 (ii) any direct employer payment or reimbursement for:

10 (A) professional membership dues;

11 (B) maintenance;

12 (C) housing;

13 (D) day care;

14 (E) automobile, travel, lodging, or entertaining expenses; or

15 (F) any similar payment for any form of maintenance, allowance, or expenses;

16 (iii) the imputed value of health, life, or disability insurance or any other fringe benefits; or

17 (iv) any noncash benefit provided by an employer to or on behalf of an employee.

18 (c) Unless included pursuant to 19-20-716, earned compensation does not include termination pay.

19 (d) Adding a direct employer-paid or noncash benefit to an employee's contract or subtracting the same
20 or like amount as a pretax deduction is considered a fringe benefit and not earned compensation.

21 (e) Earned compensation does not include:

22 (i) compensation paid to a member from a plan for the deferral of compensation under section 457(f) of
23 the Internal Revenue Code, 26 U.S.C. 457(f);

24 (ii) payment for sick, annual, or other types of leave that is allowed to a member and that is accrued in
25 excess of that normally allowed; or

26 (iii) incentive or bonus payments paid to a member that are not part of a series of annual payments.

27 (7) "Employer" means the state of Montana, the trustees of a district, or any other agency or subdivision
28 of the state that employs a person who is designated a member of the retirement system.

29 (8) "Full-time service" means service that is ~~full-time and that extends over a normal academic year of~~
30 ~~at least 9 months. With respect to those members employed by the office of the superintendent of public~~

1 ~~instruction, any other state agency or institution, or the office of a county superintendent, full-time service means~~
2 ~~service that is full-time and that totals at least 9 months in any year at least 180 days in a fiscal year or at least~~
3 ~~140 hours a month during 9 months in a fiscal year.~~

4 (9) "Internal Revenue Code" has the meaning provided in 15-30-101.

5 (10) "Member" means a person who has an individual account in the annuity savings fund. An active
6 member is a person included under the provisions of 19-20-302. An inactive member is a person included under
7 the provisions of 19-20-303.

8 (11) "Normal retirement age" means an age no earlier than the age at which the member is eligible to
9 retire:

10 (a) by virtue of age, length of service, or both;

11 (b) without disability; and

12 (c) with the right to receive immediate retirement benefits without an actuarial reduction in the benefits.

13 (12) "Part-time service" means service that is less than full-time ~~or that totals less than 180 days in a~~
14 ~~normal academic year.~~ Part-time service must be credited in the proportion that the actual time worked compares
15 to full-time service.

16 (13) "Prior service" means employment of the same nature as service but rendered before September
17 1, 1937.

18 (14) "Regular interest" means interest at a rate set by the retirement board in accordance with
19 19-20-501(2).

20 (15) "Retired member" means a person who has terminated employment that qualified the person for
21 membership under 19-20-302 and who has received at least one monthly retirement benefit paid pursuant to this
22 chapter.

23 (16) "Retirement allowance" means a monthly payment due to a person who has qualified for service or
24 disability retirement or due to a beneficiary as provided in 19-20-1001.

25 (17) "Retirement board" or "board" means the retirement system's governing board provided for in
26 2-15-1010.

27 (18) "Retirement system", "system", or "plan" means the teachers' retirement system of the state of
28 Montana provided for in 19-20-102.

29 (19) "Service" means the performance of instructional duties or related activities that would entitle the
30 person to active membership in the retirement system under the provisions of 19-20-302.

1 (20) "Termination" or "terminate" means that the member has severed the employment relationship with
 2 the member's employer and that all, if any, payments due upon termination of employment, including but not
 3 limited to accrued sick and annual leave balances, have been paid to the member.

4 (21) (a) "Termination pay" means any form of bona fide vacation leave, sick leave, severance pay,
 5 amounts provided under a window or early retirement incentive plan, or other payments contingent on the
 6 employee terminating employment and on which employee and employer contributions have been paid as
 7 required by 19-20-716.

8 (b) Termination pay does not include:

9 (i) amounts that are not wages under section 3121 of the Internal Revenue Code, determined without
 10 regard to the wage base limitation; and

11 (ii) amounts that are payable to a member from a plan for the deferral of compensation under section
 12 457(f) of the Internal Revenue Code, 26 U.S.C. 457(f).

13 (22) "Vested" means that a member has been credited with at least 5 full years of membership service
 14 upon which contributions have been made, as required by 19-20-602, and 19-20-605, and [section 1], and who
 15 has a right to a future retirement benefit.

16 (23) "Written application" or "written election" means a written instrument, required by statute or the rules
 17 of the board, properly signed, and filed with the board, that contains all the required information, including
 18 documentation that the board considers necessary."
 19

20 **Section 4.** Section 19-20-102, MCA, is amended to read:

21 **"19-20-102. Retirement system -- policy.** (1) The state teachers' retirement system created under the
 22 provisions of Chapter 87, Laws of 1937, is ~~hereby recognized as~~ the state teachers' retirement system of the state
 23 of Montana, and ~~no~~ the provisions of this chapter shall do not affect or impair the validity of any action taken by
 24 its governing board or the rights of any person arising under the provisions of Chapter 87, Laws of 1937, or any
 25 subsequent amendment ~~thereto to this chapter.~~ Such The state teachers' retirement system ~~shall be~~ is known
 26 as "The Teachers' Retirement System of the State of Montana" and in that name shall transact all business of
 27 the retirement system, hold its assets in trust, and have ~~such~~ the powers and privileges of a corporation that may
 28 be necessary to ~~carry into effect~~ administer the provisions of this chapter.

29 (2) It is the policy of the state to:

30 (a) provide equitable retirement benefits to members of the teachers' retirement system based on each

1 member's normal service retirement and salary;

2 (b) limit the effect on the retirement system of isolated salary increases received by a member, including
 3 but not limited to end-of-career promotions or one-time salary enhancements during the member's last years of
 4 employment; and

5 (c) limit the total compensation, including fringe benefits, that a retired member may earn after retirement
 6 while working in a position that would normally be covered under the teachers' retirement system to the amount
 7 determined under 19-20-731(1)(a)."

8

9 **Section 5.** Section 19-20-501, MCA, is amended to read:

10 **"19-20-501. Financial administration of money.** The members of the retirement board are the trustees
 11 of all money collected for the retirement system, and as trustees, they shall provide for the financial administration
 12 of the money as provided in Article VIII, section 15, of the Montana constitution in the following manner:

13 (1) The money must be invested and reinvested by the state board of investments.

14 (2) The retirement board shall annually establish the rate of regular interest. ~~The rate established by the~~
 15 ~~board may not be less than 4%.~~

16 (3) The retirement board shall annually divide among the several reserves of the retirement system an
 17 amount equal to the average balance of the reserves during the preceding fiscal year multiplied by the rate of
 18 regular interest. In accordance with the provisions of 19-20-605(5)(7), the amount to be credited to each reserve
 19 must be allocated from the interest and other earnings on the money of the retirement system actually realized
 20 during the preceding fiscal year, less the amount allocated to administrative expenses. The administrative
 21 expenses of the retirement system, less amortization of intangible assets, may not exceed 1.5% of retirement
 22 benefits paid.

23 (4) The state treasurer is the custodian of the collected retirement system money and of the securities
 24 in which the money is invested.

25 (5) For purposes of Article VIII, section 12, of the Montana constitution, all the reserves established by
 26 part 6 of this chapter must be accounts in the pension trust fund type of the treasury fund structure of the state.

27 (6) Benefits and refunds to eligible recipients are payable pursuant to a contract as contained in statute.
 28 Unless specifically provided for by statute, the contract does not contain revisions to statutes after the time of
 29 retirement or termination."

30

1 **Section 6.** Section 19-20-605, MCA, is amended to read:

2 **"19-20-605. Pension accumulation fund -- employer's contribution.** (1) The pension accumulation
3 fund is the fund in which the reserves for payment of retirement allowances and benefits must be accumulated
4 and from which retirement allowances and benefits must be paid to retirees or their beneficiaries. Contributions
5 to and payments from the pension accumulation fund must be made as ~~follows:~~ as provided in this section.

6 ~~(1) Each~~ (2) Except as provided in subsection (3), for each member employed during the whole or part
7 of the preceding payroll period, the employer shall pay into the pension accumulation fund an amount equal to;
8 7.47% of the earned compensation of each member employed during the whole or part of the preceding payroll
9 period

10 (a) beginning July 1, 2007, through June 30, 2009, 9.47% of total earned compensation; and

11 (b) beginning July 1, 2009, 9.85% of total earned compensation.

12 (3) For each member employed by a school district or a community college during the whole or part of
13 the preceding payroll period, the employer shall pay into the pension accumulation fund an amount equal to
14 7.47% of total earned compensation.

15 ~~(2)~~(4) If the employer is a district or community college district, the trustees shall budget and pay for the
16 employer's contribution under the provisions of 20-9-501.

17 ~~(3)~~(5) If the employer is the superintendent of public instruction, a public institution of the state of
18 Montana, a unit of the Montana university system, or the Montana state school for the deaf and blind, the
19 legislature shall appropriate to the employer an adequate amount to allow the payment of the employer's
20 contribution.

21 ~~(4)~~(6) If the employer is a county, the county commissioners shall budget and pay for the employer's
22 contribution in the manner provided by law for the adoption of a county budget and for payments under the
23 budget.

24 ~~(5)~~(7) All interest and other earnings realized on the money of the retirement system must be credited
25 to the pension accumulation fund, and the amount required to allow regular interest on the annuity savings fund
26 must be transferred to that fund from the pension accumulation fund.

27 ~~(6)~~(8) The retirement board may transfer from the pension accumulation fund to the expense fund an
28 amount necessary to cover expenses of administration."
29

30 **Section 7.** Section 19-20-621, MCA, is amended to read:

1 **"19-20-621. Montana university system optional retirement program supplemental contributions.**

2 (1) Each employer within the university system with employees participating in the optional retirement program
3 under Title 19, chapter 21, shall contribute to the teachers' retirement system a supplemental employer
4 contribution sufficient to amortize, by July 1, 2033, the past service liability of the teachers' retirement system for
5 the university system members.

6 (2) The optional retirement program supplemental employer contribution as a percentage of the total
7 compensation of all employees participating in the program ~~must increase to~~ is:

8 ~~(a) 2.81% beginning July 1, 1997;~~

9 ~~—— (b) 3.12% beginning July 1, 1998;~~

10 ~~—— (c) 3.42% beginning July 1, 1999;~~

11 ~~—— (d) 3.73% beginning July 1, 2000; and~~

12 ~~—— (e)(a) 4.04% beginning July 1, 2001, through June 30, 2007; and~~

13 (b) 4.72% beginning July 1, 2007.

14 (3) The board shall periodically review the supplemental employer contribution rate and recommend
15 adjustments to the legislature as needed to maintain the amortization of the university system's past service
16 liability by July 1, 2033."

17

18 **Section 8.** Section 19-20-716, MCA, is amended to read:

19 **"19-20-716. Termination pay.** (1) If a member terminates and receives termination pay at the time of
20 retirement, the member shall select, subject to subsections (4) and (5), by signing a binding, irrevocable written
21 election at least 90 days before the member's termination date, one of the following options:

22 (a) Option 1--The member may use the total termination pay in the calculation of the member's average
23 final compensation. The member and the employer shall pay contributions to the retirement system as determined
24 by the board to adequately compensate the system for the additional retirement benefit. The contributions must
25 be made at the time of termination.

26 (b) Option 2--The member may use a yearly amount of the total termination pay added to each of the
27 3 consecutive years' salary used in the calculation of the member's average final compensation. To determine
28 the amount of termination pay used in the calculation of average final compensation, termination pay must be
29 divided by the total number of years of creditable service to determine a yearly amount. The member and the
30 employer shall pay contributions on the termination pay according to the rates provided for in 19-20-602 and

1 19-20-605(1). For the purposes of this subsection (1)(b), the employer shall also pay as a contribution an amount
2 equal to the termination pay multiplied by the rate established in [section 1] that would have been payable by the
3 state as a supplemental contribution. The contributions must be made at the time of termination.

4 (c) Option 3--The member may exclude the termination pay from the average final compensation. A
5 contribution is not required of either the member or the employer.

6 (2) A binding, irrevocable written election required by this section must be signed by both the member
7 and the employer at least 90 days prior to the member's termination date and must contain statements with
8 regard to the contributions required to be made by the member under subsections (1)(a) and (1)(b) that:

9 (a) the contributions being picked up, although designated as member contributions, are being paid by
10 the employer directly to the system in lieu of contributions by the member and that the picked up contributions
11 are paid from the same source as compensation is paid;

12 (b) the member may not choose to directly receive the amounts deducted from the member's termination
13 pay instead of having them paid by the employer to the system;

14 (c) the member may not prepay any portion of the contributions; and

15 (d) the effective date of the pickup is the date that the irrevocable written election is signed by both the
16 member and employer. The effective date must be at least 90 days prior to the date of the member's termination.
17 The pickup does not apply to a contribution made before the effective date of the pickup.

18 (3) Pursuant to subsection (2), contributions required under subsection (1)(a) or (1)(b) must be:

19 (a) deducted from the portion of termination pay that:

20 (i) constitutes wages for the purposes of section 3121 of the Internal Revenue Code, determined without
21 regard to the wage base limitation; and

22 (ii) can be included in the member's gross income for federal tax purposes; and

23 (b) picked up by the employer, except as provided in subsections (4) and (5).

24 (4) A member's contributions greater than the total amount of the member's termination pay may not be
25 picked up by the employer and are subject to the limitations of section 415 of the Internal Revenue Code.

26 (5) If a member and the member's employer fail to sign the written election within the time period required
27 in subsection (1), the member may contribute for the purposes specified in subsections (1)(a) and (1)(b) on all
28 or any part of the termination pay received. A contribution made pursuant to this subsection may not be picked
29 up by the employer and is subject to the limitations of section 415 of the Internal Revenue Code."
30

1 **Section 9.** Section 19-20-719, MCA, is amended to read:

2 "**19-20-719. Guaranteed annual benefit adjustment -- rulemaking.** (1) ~~Subject to subsection (3), on~~
3 On January 1 of each year, the retirement allowance payable to each recipient who is eligible under subsection
4 (2) must be increased by 1.5%.

5 (2) A benefit recipient is eligible for and must receive the ~~minimum~~ annual benefit adjustment provided
6 for in this section if the retiree has received at least 36 monthly retirement benefit payments prior to January 1
7 of the year in which the adjustment is to be made.

8 ~~(3) On January 1, 2002, and January 1 of each year following the system's biennial valuation, the board~~
9 ~~may increase the annual benefit adjustment provided in subsection (1) until a maximum of 3% is guaranteed if:~~

10 ~~—— (a) the period required to amortize the system's actuarial unfunded liability, as determined by the most~~
11 ~~recent biennial valuation, adjusted for any benefit enhancement enacted by the legislature since the most recent~~
12 ~~biennial valuation, is less than 25 years;~~

13 ~~—— (b) sufficient funds are available to increase the guaranteed annual benefit adjustment by at least 0.1%;~~
14 ~~and~~

15 ~~—— (c) the increase granted by the board would not cause the amortization period, as of the most recent~~
16 ~~valuation, to exceed 25 years.~~

17 ~~(4) The board shall adopt rules to administer the provisions of this section."~~

18

19 ~~—— **Section 10.** Section 19-20-731, MCA, is amended to read:~~

20 ~~—— "**19-20-731. Postretirement employment limitations -- cancellation and recalculation of benefits.**~~

21 ~~(1) (a) Except as otherwise provided in this section, a retired member may be employed part-time by a school~~
22 ~~district, state agency, or unit of the university system in a position eligible to participate in the retirement system~~
23 ~~and may earn, without an adjustment of retirement benefits, an amount not to exceed the greater of:~~

24 ~~—— (a)(i) one-third of the sum of the member's average final compensation; or~~

25 ~~—— (b)(ii) one-third of the median of the average final compensation for members retired during the~~
26 ~~preceding fiscal year as determined by the retirement board.~~

27 ~~—— (b) For the purposes of this subsection (1), the maximum compensation that a retired member may earn~~
28 ~~under subsection (1)(a) without an adjustment of retirement benefits includes all remuneration paid to the retired~~
29 ~~member, including but not limited to:~~

30 ~~—— (i) annuities;~~

1 ~~—— (ii) allowances for motor vehicles and housing;~~
2 ~~—— (iii) professional membership dues;~~
3 ~~—— (iv) maintenance;~~
4 ~~—— (v) day care;~~
5 ~~—— (vi) reimbursements for nonwork-related motor vehicle, travel, lodging, or entertaining expenses; or~~
6 ~~—— (vii) any similar payment for any form of maintenance, allowance, or expense.~~
7 ~~—— (2) On July 1 of each year following the member's retirement effective date, the maximum that a retired~~
8 ~~member may earn under subsection (1)(a) is increased by an amount equal to the consumer price index increase~~
9 ~~for urban wage earners compiled by the bureau of labor statistics of the United States department of labor or its~~
10 ~~successor agency in the preceding calendar year.~~
11 ~~—— (3) Except as provided in subsection (5), the retirement benefit of a retired member:~~
12 ~~—— (a) employed in a part-time position or earning more than allowed by subsections (1) and (2) must be~~
13 ~~temporarily reduced by \$1 for each dollar earned over the maximum allowed. Monthly benefits must be reduced~~
14 ~~beginning as soon as practical after the excess earnings have been reported to the retirement system by the~~
15 ~~employer. The retirement benefit must be canceled if the retired member's earnings over the maximum allowed~~
16 ~~exceed the gross monthly benefit amount.~~
17 ~~—— (b) employed in a full-time position must be canceled beginning in the month in which the retired member~~
18 ~~returns to full-time employment.~~
19 ~~—— (4) Upon termination and retirement subsequent to a cancellation of benefits pursuant to subsection (3),~~
20 ~~the retirement benefit of a member:~~
21 ~~—— (a) who was reemployed and earned less than 1 year of creditable service must be reinstated beginning~~
22 ~~either the first of the month following termination or on July 1 following the date on which the retired member was~~
23 ~~reemployed, whichever is later. The reinstated retirement benefit is the amount and option that the retired member~~
24 ~~would have been entitled to receive had the retired member not returned to employment.~~
25 ~~—— (b) who was reemployed and earned at least 1 year of creditable service must be recalculated under~~
26 ~~19-20-804 if the member has attained normal retirement age or under 19-20-802 if the member has not attained~~
27 ~~normal retirement age but is eligible for early retirement. The recalculated benefit is based on the service credit~~
28 ~~accumulated at the time of the member's previous retirement, plus any service credit accumulated subsequent~~
29 ~~to reemployment. The recalculated normal form benefit amount must be increased by the amount of any benefit~~
30 ~~enhancement received pursuant to 19-20-719 that the retired member was receiving when the member's benefits~~

1 were canceled.

2 ~~—— (5) If an early-retired member under 19-20-802 is reemployed with the same employer within 30 days~~
 3 ~~from the member's effective date of retirement or if the early-retired member is guaranteed reemployment with~~
 4 ~~the same employer, the member must be considered to have continued in the status of an active member and~~
 5 ~~not to have separated from service. Any retirement allowance payments received by the member must be repaid~~
 6 ~~to the system, together with interest, at the actuarially assumed rate, and the retirement allowance must be~~
 7 ~~canceled."~~

8

9 **SECTION 10. SECTION 19-20-731, MCA, IS AMENDED TO READ:**

10 **"19-20-731. Postretirement employment limitations -- cancellation and recalculation of benefits.**

11 (1) (a) Except as otherwise provided in this section, a retired member may be employed part-time by a school
 12 district, state agency, or unit of the university system in a position eligible to participate in the retirement system
 13 and may earn, without an adjustment of retirement benefits, an amount not to exceed the greater of:

14 ~~(a)(i)~~ one-third of the sum of the member's average final compensation; or

15 ~~(b)(ii)~~ one-third of the median of the average final compensation for members retired during the preceding
 16 fiscal year as determined by the retirement board.

17 ~~(b) For the purposes of this subsection (1), the maximum compensation that a retired member employed~~
 18 ~~by a school district that has fewer than 370 ANB may earn under subsection (1)(a) without an adjustment of~~
 19 ~~retirement benefits includes all remuneration paid to the retired member, including but not limited to:~~

20 ~~—— (i) annuities;~~

21 ~~—— (ii) allowances for motor vehicles and housing;~~

22 ~~—— (iii) professional membership dues;~~

23 ~~—— (iv) maintenance;~~

24 ~~—— (v) day care;~~

25 ~~—— (vi) reimbursements for nonwork-related motor vehicle, travel, lodging, or entertaining expenses; or~~

26 ~~—— (vii) any similar payment for any form of maintenance, allowance, or expense.~~

27 ~~(c)(B) For the purposes of this subsection (1), the maximum compensation that a retired member may~~
 28 ~~earn under subsection (1)(a) without an adjustment of retirement benefits includes all remuneration paid to the~~
 29 ~~retired member, excluding:~~

30 ~~(i) the amount of health insurance premiums paid by the employer on the retired member's behalf;~~

- 1 (ii) the value of housing provided by the employer to the retired member;
2 (iii) the amount of employment-related travel expenses reimbursed to the retired member by the
3 employer;
4 (iv) de minimis fringe benefits, as defined in 26 U.S.C. 132(e), paid by the employer to or on behalf of the
5 retired member; and
6 (v) payroll taxes paid by the employer on behalf of the retired member.
7 (2) On July 1 of each year following the member's retirement effective date, the maximum that a retired
8 member may earn under subsection (1)(a) is increased by an amount equal to the consumer price index increase
9 for urban wage earners compiled by the bureau of labor statistics of the United States department of labor or its
10 successor agency in the preceding calendar year.
11 (3) Except as provided in subsection (5), the retirement benefit of a retired member:
12 (a) employed in a part-time position or earning more than allowed by subsections (1) and (2) must be
13 temporarily reduced by \$1 for each dollar earned over the maximum allowed. Monthly benefits must be reduced
14 beginning as soon as practical after the excess earnings have been reported to the retirement system by the
15 employer. The retirement benefit must be canceled if the retired member's earnings over the maximum allowed
16 exceed the gross monthly benefit amount.
17 (b) employed in a full-time position must be canceled beginning in the month in which the retired member
18 returns to full-time employment.
19 (4) Upon termination and retirement subsequent to a cancellation of benefits pursuant to subsection (3),
20 the retirement benefit of a member:
21 (a) who was reemployed and earned less than 1 year of creditable service must be reinstated beginning
22 either the first of the month following termination or on July 1 following the date on which the retired member was
23 reemployed, whichever is later. The reinstated retirement benefit is the amount and option that the retired member
24 would have been entitled to receive had the retired member not returned to employment.
25 (b) who was reemployed and earned at least 1 year of creditable service must be recalculated under
26 19-20-804 if the member has attained normal retirement age or under 19-20-802 if the member has not attained
27 normal retirement age but is eligible for early retirement. The recalculated benefit is based on the service credit
28 accumulated at the time of the member's previous retirement, plus any service credit accumulated subsequent
29 to reemployment. The recalculated normal form benefit amount must be increased by the amount of any benefit
30 enhancement received pursuant to 19-20-719 that the retired member was receiving when the member's benefits

1 were canceled.

2 (5) If an early-retired member under 19-20-802 is reemployed with the same employer within 30 days
 3 from the member's effective date of retirement or if the early-retired member is guaranteed reemployment with
 4 the same employer, the member must be considered to have continued in the status of an active member and
 5 not to have separated from service. Any retirement allowance payments received by the member must be repaid
 6 to the system, together with interest, at the actuarially assumed rate, and the retirement allowance must be
 7 canceled."

8
 9 **NEW SECTION. Section 11. Appropriations.** (1) There is appropriated ~~\$100~~ \$50 million from the
 10 general fund to the teachers' retirement system.

11 (2) The following money is appropriated to implement the supplemental state contribution and employer
 12 contribution rate increases provided for in [this act]:

	Fiscal Year 2008		Fiscal Year 2009	
	General Funds	Other Funds	General Funds	Other Funds
15 State Agencies	\$91,710	\$35,198	\$91,982	\$36,648
16	<u>\$89,298</u>	<u>\$35,607</u>	<u>\$92,788</u>	<u>\$36,785</u>
17 University System	\$1,248,853		\$1,247,016	
18	<u>\$1,045,800</u>		<u>\$1,023,853</u>	

19
 20 **NEW SECTION. Section 12. Codification instruction.** [Section 1] is intended to be codified as an
 21 integral part of Title 19, chapter 20, part 6, and the provisions of Title 19, chapter 20, part 6, apply to [section 1].

22
 23 **NEW SECTION. Section 13. Effective dates.** (1) Except as provided in subsection (2), [this act] is
 24 effective July 1, 2007.

25 (2) [Sections 3, 4, ~~11(1)~~ 10(1) 11(1), and this section] are effective on passage and approval.

26 - END -